LIBRARY
SUPREME COURT, U. S.

Supreme Court, U.S.
FILED
DEC 11 1967
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 903

UNIWELD PRODUCTS, INC., DAVID S. PRAHL and EPHRAIM WERNER, *Petitioners*,

v.

UNION CARBIDE CORPORATION, *Respondent*.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

PHILIP J. HIRSCHKOP, ESQ.
COHEN, HIRSCHKOP & HALL, INC.
110 No. Royal Street
Alexandria, Virginia
Counsel for Petitioners

HYMAN P. GLASS
701 No. Washington Street
Alexandria, Virginia
Of Counsel

INDEX

	Page
Citation to Opinions Below	2
Jurisdiction	2
Questions Presented	2
Statutes Involved	3
Statement	3
Reasons for Granting the Writ	
I. The law is in conflict in the circuits	9
II. Smathers & Thompson should have been disqualified even under the Rigid Standard of the fifth circuit	22
III. Smathers & Thompson should be disqualified under the more equitable standard of the other circuits	29
Conclusion	32
Appendix	
A. Memorandum opinion and order of the District Court	1a
B. Opinion of the Court of Appeals	7a

TABLE OF AUTHORITIES

CASES:

W. E. Basset Company v. H. C. Cook Company, 201 F. Supp. 821 (D. Conn. 1961) aff'd 302 F. 2d 269 (2 Cir. 1962) 14, 15, 30, 32

Chugach Elec. Ass'n. v. United States District Court for the District of Alaska, 370 F. 2d 442 (9 Cir. 1967) 19, 30

City of Philadelphia v. Morton Salt Company, 248 F. Supp. 506 (D.C. Pa. 1965) 26

Consolidated Theatres v. Warner Bros. Circuit Management Corporation, 216 F. 2d 920 (2 Cir. 1954) 13, 29, 30

Page

Cord v. Smith, 338 F. 2d 516 (9 Cir. 1964) 18, 32
Empire Linotype School v. United States, 143 F. Supp. 627 (S.D.N.Y. 1956) 17
Forslund v. Forslund, 37 Cal. Reptr. 489 27
Humble Oil & Refining Company v. American Oil Company, 224 F. Supp. 909 (E.D. Mo. 1963) .. 18, 24, 30
Laskey Bros. of W. Va. v. Warner Bros. Pictures, 224 F. 2d 824 (2 Cir. 1955) 16, 32
Leman v. Krentler-Arnold Company, 284 U.S. 448 .. 24, 25
Milwaukee and Minnesota R. Company v. [Milwaukee &] St. Paul [R] Company, 2 Wal. 609, 17 L. Ed. 886 25
Nortex Trading Corp. v. New Field, 311 F. 2d 1963 (2 Cir. 1962) 26
Ohlquist v. Nordstrom, 143 Misc. 502, 257 N.Y.S. 711 27
In Re Realty Associates Securities Corporation, 39 F. Supp. 806 (E.D.N.Y. 1941) 25
Rumsey v. George E. Failing Company, 333 F. 2d 960 (10 Cir. 1964) 26
T. C. Theatre Corp. v. Warner Bros. Pictures, 113 F. Supp. 265 (S.D.N.Y. 1953) 10, 23, 28, 29
United States v. Curry, 6 How. 106, 12 L. Ed. 363 ... 26
United States v. Standard Oil Company, 136 F. Supp. 345 (S.D.N.Y. 1955) 15, 30
United States v. Swift & Co., 286 U.S. 106 24
United States v. Trafficante, 328 F. 2d 117 (5 Cir. 1964) 11, 30

RULES AND STATUTES:

Federal Conflict of Interest Act, 76 Stat. 1119 (1962), 18 U.S.C. §§ 201-18 (Supp. IV, 1963) 21

28 USC §§ 1254(1) and 2101(c) 2

Federal Rules of Civil Procedure, Rule 5(b) 26

OTHER AUTHORITIES:

Canons of Professional Ethics of the American Bar Association; Canons 6 and 37 ..... 3, 9, 11, 14

Freeman, Judgments, 5th Ed. § 353 27

Note, Unchanging Rules in Changing Times: The Canons of Ethics and Intra-Firm Conflicts of Interests, 73 Yale L.J. 1058 (1964) 21

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No.

UNIWELD PRODUCTS, INC., DAVID S. PEARL and EPHRAIM WERNER, *Petitioners,*

v.

UNION CARBIDE CORPORATION, *Respondent.*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Petitioners pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fifth Circuit entered in the above-entitled case on August 15, 1967.

CITATIONS TO OPINIONS BELOW

The memorandum opinion (R. 99-106) of the Honorable W. O. Mehrtens, of the United States District Court for the Southern District of Florida is unreported and is printed in Appendix A hereto. The opinion of the United States Court of Appeals for the Fifth Circuit (R. 535-540) is as yet unreported and is printed in Appendix B hereto.

JURISDICTION

The judgment of the United States Court of Appeals for the Fifth Circuit was entered on August 15, 1967. (R. 535-540). On November 1, 1967, petitioner made application to this Court for an extension of time within which to file this petition for a writ of certiorari. This application was granted on November 2, 1967, extending the time for filing this petition to and including December 11, 1967. The jurisdiction of this Court is invoked under 28 U.S.C. §§ 1254(1) and 2101(c).

QUESTIONS PRESENTED

1. In a proceeding where an attorney represents an adversary against a former client of the attorney, must the former client specifically prove actual knowledge of previous confidential information given to the attorney for the attorney to be disqualified; or is it adequate for his disqualification that the attorney was previously in position to gain such information?

2. May an attorney, currently representing a client against another party under an extant injunctive order, ethically simultaneously represent the other party in another matter against his own client?

STATUTES INVOLVED

Canons of Professional Ethics of the American Bar Association

Canon 6. *Adverse Influences and Conflicting Interests.*

> "The obligation to represent the client with undivided fidelity and not to divulge his secrets or confidences forbids also the subsequent acceptance of retainers or employment from others in matters adversely affecting any interest of the client with respect to which confidence has been reposed."

Canon 37. *Confidences of a Client.*

> "It is the duty of a lawyer to preserve his client's confidences. This duty outlasts the lawyer's employment, and extends as well to his employees; and neither of them should accept employment which involves or may involve the disclosure or use of these confidences, either for the private advantage of the lawyer or his employees or to the disadvantage of the client, without his knowledge and consent, and even though there are other available sources of such information. A lawyer should not continue employment when he discovers that this obligation prevents the performance of his full duty to his former or to his new client."

STATEMENT OF FACTS

On May 27, 1959, respondent herein, Union Carbide Corporation, filed in the United States District Court for the Southern District of Florida, Miami Division, Civil Action No. 9273-M, a complaint charging petitioners herein, Uniweld Products, Inc. (known then as Universal Cutting & Welding Corporation), and David S. Pearl, Ephraim Werner, and National Torch Tip

Company with patent infringement and unfair competition. On June 2, 1959, petitioners (defendants therein) retained the law firm of Smathers, Thompson & Dyer to represent them. The Honorable David W. Dyer, then a partner in the firm, together with Mr. Louis S. Bonsteel another member of the firm, undertook this representation. (R. 57, 87, 99) Subsequently, Mr. Dyer, now Judge Dyer, was appointed to the bench of the United States District Court for the Southern District of Florida. Mr. Bonsteel continued to represent petitioner in that action. (R. 57-58) The firm thereafter became known as Smathers & Thompson (R. 61).

During the course of this prior litigation there were many discussions between the petitioners, a Mr. Hyman Glass (their regular patent counsel) and Mr. Bonsteel and Mr. Dyer. In the course of these discussions, oral communications of extremely confidential nature took place relating, among other things, to the personal affairs, attitudes, and intentions of the individual defendants therein and to the business practices and economic structure of the corporate defendant therein. (R. 469)

As a result of these discussions and the intimate knowledge gained by Smathers and Thompson, Mr. Dyer at that time counseled those defendants (petitioners herein) that in view of the costs and relative financial positions of the litigants they should "settle the case and get out." (R. 191)

On March 24, 1960, a consent judgment was signed by defendants (petitioners herein) and by David W. Dyer, Esquire, on behalf of these defendants. The judgment contained an injunction prohibiting defend-

ants (petitioners herein) from further patent infringement, use, or sale of certain regulators marked exhibits A, B, and C. The injunction was to run until plaintiff's (respondent herein) patent expired in 1973. (R. 103) The judgment also contained specific provision allowing the Court to retain jurisdiction to enforce compliance of the judgment.

Petitioners continued to use the services of the law firm of Smathers & Thompson in other litigation. On October 1, 1962, when the Harris Calorific Company threatened suit against Uniweld and Pearl for alleged unfair competition practices, Pearl consulted Bonsteel. (R. 90, 171-173) Although the affair never reached the litigation state, the matter yet exists to the present in a suspended state. Attorney Bonsteel in fact communicated with petitioner Pearl, about the matter in September 1964 and again as late as August 5 or 6, 1966, inquired of petitioner, Pearl, concerning the status of the matter. (R. 171-173) During the course of the Harris matter, Bonsteel again demonstrated knowledge of petitioners' private abilities to litigate in a letter to petitioner, David Pearl, wherein he stated:

> Harris has more than a million and a half in assets, that annual sales are approximately $2,000,000.00 and that the company employs an average of 140 people. All of this indicates to me that if we get into a legal tug-of-war Harris has the money to buy the strongest rope. (R. 468)

On September 18, 1963, over three years after entry of the consent order, the firm of Smathers & Thompson, through Attorney Bonsteel as counsel of record for the defendants in the original action (petitioners

herein) was notified by the Clerk of the Court that four regulators which were physical exhibits in the original case would be destroyed unless removed from the Clerk's Office. Bonsteel, then acting as counsel for Uniweld, entered into a stipulation with counsel for Union Carbide consenting to an order authorizing the removal of said exhibits from the Court. (R. 89)

Indeed, both the signed stipulation and court order of September 25, 1963, authorizing the removal of said exhibits, refer to Smathers & Thompson as "Attorneys for Defendants" (petitioners herein). (R. 324, 325)

These regulators were accordingly delivered to Attorney Bonsteel who held them for approximately one year and then delivered them to petitioner Pearl. (R. 89, 90) The injunction continues to run to this day, being enforceable by the respondent, a fact noted by the court below. (R. 104) The law firm of Smathers & Thompson remains as counsel of record for Civil Action 9273-M.

The Smathers & Thompson law firm has been the only firm consulted by petitioner Pearl in every court or probable court matter involving patents, trademarks, unfair competition and matters relating thereto in the State of Florida. (R. 61) When petitioners, Uniweld and Pearl, were served with the summons and new complaint charging trademark infringement and unfair competition in the instant matter on August 3, 1966, (R. 62) Pearl immediately telephoned Bonsteel, who told Pearl to come immediately to his office to discuss the matter. It was then that Bonsteel discovered that another partner of the Smathers & Thompson firm, Attorney Hervey Yancey, had filed the suit on behalf of Union Carbide. (R. 94-95) After

consulting with Bonsteel, Attorney Yancey notified Union Carbide that Smathers & Thompson should perhaps withdraw from the case (R. 95) but was advised to hold the matter in abeyance by Union Carbide. (R. 74)

At that time, Yancey informed Bonsteel that they, Smathers & Thompson, would probably have to withdraw. (R. 73) Indeed, Mr. Bonsteel separately indicated on that same day to both petitioner Pearl and to counsel Glass that he would not have taken the case for respondent had it come to his attention. (R. 62, 208-210).

However, subsequent to these several conversations of August 3, 1966, Smathers & Thompson did not make any apparent effort toward withdrawal from the matter. Accordingly, insofar as responsive pleadings of defendants (petitioners herein) would soon be due, counsel Glass on August 11, 1966, went to Florida with prepared pleadings for the disqualification of Smathers & Thompson. He at that time went, together with local counsel, to the chambers of the Honorable Judge David W. Dyer, to whom this case had been assigned. Judge Dyer at that time contacted Mr. Yancey, prior to the filing of the papers. Mr. Yancey and subsequently Mr. Bonsteel came to the judge's chambers and separately read the pleadings. Immediately thereafter, having been given this opportunity to withdraw from a situation that the respondents counsel themselves later described as "understandably embarrassing", they then stated that the Smathers & Thompson law firm would not withdraw from said case. Pursuant to the refusal to withdraw, both Bonsteel and counsel Glass were informed by Judge Dyer's secretary that Judge Dyer,

who had previously represented petitioners on behalf of Smathers & Thompson against the respondent herein and who was the prior attorney of record in the continuing injunction (R. 247) was recusing himself and reassigning the case to another judge. (R. 461, 462)

Petitioners thereafter filed the motion to disqualify and remove the law firm of Smathers & Thompson as attorneys for respondent, Union Carbide, on the grounds that such representation violates the Canons of Professional Ethics of the American Bar Association and the Florida Bar.

The matter, having been reassigned to the Honorable W. O. Mehrtens, was subsequently heard on August 12, 1966, at which time the motion for a disqualification was denied. Thereafter, on September 7, 1966, there were further proceedings on a motion for rehearing. This was denied by order of the District Court entered on September 15, 1966, (R. 99-106) and appended hereto. The matter on the merits is now held in abeyance in the District Court pursuant to a stipulation of counsel and order of the court (R. 109-114) pending the outcome of these appeals.

In January 1967, petitioner Pearl had occasion to twice contact his now prior counsel, Smathers & Thompson, regarding matters connected with the continuing injunction involving Union Carbide. (R. 326, 327, 334) In response to both letters, L. S. Bonsteel indicated that Smathers & Thompson would no longer represent petitioners. (R. 328, 335)

On August 15, 1967, the United States Court of Appeals for the Fifth Circuit affirmed the opinion of the District Court.

REASONS FOR GRANTING THE WRIT

I. The Law Is in Conflict in the Circuits

Due to the increasing size of law firms and the mobility of lawyers and clients, situations are becoming more prevalent in which an attorney finds that he or a member of his law firm is representing a client who is suing another or former client of the same firm. In such cases there is an increasing conflict in standards of professional ethics as to whether such an attorney might in fact be opposing interests of a client. Canons 6 and 37 of the Canons of Professional Ethics of the American Bar Association provide basic guidelines to govern such dilemmas.

Canon 6 in part provides that it is unprofessional to represent conflicting interests, that is when, in behalf of one client, the lawyer "must contend for that which duty to another client requires him to oppose." The Canon states further that:

> "[the] obligation to represent the client with undivided fidelity . . . forbids also the subsequent acceptance of retainers or employment from others in matters adversely affecting any interest of the client. . . ."

Canon 37 states that a lawyer has a duty to preserve his clients' confidences which outlasts his employment and that neither the lawyer nor his employees should undertake employment "which involves or may involve the disclosure or use of these confidences. . . ." The Canon also emphasizes that once a lawyer discovers that his new obligation prevents the full performance of his duty to a former or the new client, he should withdraw from the new employment.

The Canons are general guidelines, meant to be applicable to a wide variety of situations, and, as such, they have been given various interpretations by the courts. Unfortunately, the variety of interpretations circulating at present are inconsistent with each other. The result has been a rapidly developing confusion in this area of law as to what situations actually do give rise to valid conflict of interest charges. Several circuits have developed divergent tests in ruling on motions to disqualify attorneys for representing clients with interests adverse to other clients.

The interpretive approach most often cited as traditional by the courts is that taken by Judge Weinfeld in *T. C. Theatre Corp.* v. *Warner Bros. Pictures,* 113 F. Supp. 265 (S.D.N.Y 1953) where on pages 268-269, he stated:

> . . . the former client need show no more than that matters embraced within the pending suit wherein his former attorney appears on behalf of his adversary are substantially related to the matters or cause of action wherein the attorney previously represented him, the former client. The Court will assume that during the course of the former representation confidences were disclosed to the attorney bearing on the subject matter of the representation. It will not inquire into their nature and extent.

Judge Weinfeld also noted that:

> To compel the client to show, in addition to establishing that the subject of the present adverse representation is related to the former, the actual confidential matters previously entrusted to an attorney and their possible value to the present client would tear aside the protective cloak drawn about the lawyer-client relationship. For

> the Court to probe further and sift the confidences in fact revealed would require the disclosure of the very matters intended to be protected by the rule. It would defeat an important purpose of the rule of secrecy—to encourage clients fully and freely to make known to their attorneys all facts pertinent to their cause. Considerations of public policy, no less than the client's private interest, require rigid enforcement of the rule against disclosure. No client should ever be concerned with the possible use against him in future litigation of what he may have revealed to his attorney.
>
> . . .
>
> Lawyers should not put themselves in the position 'where, even unconsciously, they might take, in the interests of a new client, an advantage derived or traceable to confidences reposed under the cloak of a prior, privileged relationship.' In cases of this sort the Court must ask whether it can reasonably be said that in the course of the former representation the attorney might have acquired information related to the subject of his subsequent representation. If so, then the relationship between the two matters is sufficiently close to bring the later representation within the prohibition of Canon 6. Id. at 269.

A very narrow interpretation is upheld in the courts of the Fifth Circuit which hold that the issues between a present and former litigation must be the same or substantially related. *United States* v. *Trafficante,* 328 F. 2d 117 (5 Cir. 1964). The trafficante case involved the activities of a lawyer who, while working for the U. S. Government, had handled various income tax claims, including those assessed against defendants. After leaving government employment, he accepted the defense of defendants in a suit brought by the government for collection of the tax claims. The court

held that the assessment and collection were in connection with the same claim and approved the motion to disqualify. The court also stated that:

> It is not necessary, in order that disqualification result from a prior employment, that it be shown that the attorney acquired knowledge while representing the prior client which could operate to his disadvantage in the subsequent adverse representation. 328 F. 2d at 120

In the instant case, the Fifth Circuit Court of Appeals sustained a narrow interpretation of the Canons, deciding the case on the issues of whether any similarity existed between the issues in this case and the prior representation and whether any confidences had actually been disclosed to the attorney which could have a bearing on the present case. The court refused to grant petitioners' motion to disqualify the attorneys because petitioners could not show similarity of factual issues or give specific proofs that information or knowledge had been given to the attorneys which would be relevant to the present case. (R. 540)

Narrow interpretations of ethical obligations such as those set forth in the fifth circuit opinions potentially leave room for wide varieties of borderline ethical activities, on the part of lawyers, which may not lead to disqualification. An awareness of this problem is manifested in the recent trend of decisions in the courts of the second, eighth and ninth circuits who have decreed that the public confidence in the bar is of prior importance.

Courts in the second circuit have based disqualification decisions on a determination of whether an *inference* of disclosure may be drawn. For example, in

Consolidated Theatres v. *Warner Bros. Circuit Management Corporation,* 216 F. 2d 920 (2 Cir. 1954), the court looked to the prohibition of Canon 6 against a lawyer accepting a case "adversely affecting any interest of the former client in respect to which confidence has been reposed." The Court well noted that while no evidence of disclosures of confidential information had been made which would be relevant to the case at bar,

> . . . there is no suggestion in the Cannons that to invoke an obligation defined therein the proof thereof must be by direct evidence. We think that the professional obligation therein defined, like any legal relationship, may be established by *reasonable inference.* 216 F. 2d at 924. (emphasis added)

There, the Court discussing Judge Weinfeld's traditional test, declared that:

> . . . it was said that to prove the existence of the professional obligation: '. . . the former client need show no more than that the matters embraced within the pending suit wherein his former attorney appears on behalf of his adversary are substantially related to the matters or cause of action wherein the attorney previously represented him, the former client.' . . . The statement, it will be noted, was not a rule of substantive law purporting to define the professional obligation. It went no further than to measure the quantum of evidence required for proof of the obligation. 216 F. 2d at 924.

The Court determined that proof of confidences or similar issues were not as crucial as formerly held. Rather, they held that proof of the existence of a pro-

fessional obligation and its breach is sufficient for disqualification. They added:

> Thus the existence of a professional obligation and its breach were sufficiently proved and the disqualification must be sustained. The fact that information of adverse impact thus received has not been used as yet, or may never be so used, should not obscure Nickerson's obligation not to accept a retainer. . . . 216 F. 2d at 925.

They established that it is the "work done for the client and the access to the confidential information of the client which is crucial in determining whether the obligation of Canon 6 arises." 216 F. 2d at 927 They noted that the attorney had access to the files of the former clients "which might have well brought him into contact with confidential information. That was enough, we hold, to give rise to the obligation of Canon 6." 216 F. 2d at 927

Even though the decision would undoubtedly cause a financial hardship on the lawyer in question by barring him from the "lucrative anti-trust motion-picture field", the court based its decision on upholding the public good which requires "assurance, as specific as possible, of the confidence inherent in the client-attorney relationship." 216 F. 2d at 926.

In another Second Circuit case, *W. E. Bassett Company* v. *H. C. Cook Company,* 201 F. Supp. 821 (D. Conn. 1961) the court disqualified the case of a client adverse to one of the firm's clients. Despite all precautionary procedures, the court held that the firm must be disqualified since one member's disqualification automatically disqualifies all members and because the court had a duty to uphold the integrity and good name

of the bar. 201 F. Supp. at 825. In affirming the opinion in Bassett, the Court of Appeals for the Second Circuit said:

> Circumstances have now [been] created in which, with . . . [the attorney] remaining in the case, will inevitably lead to suspicion and distrust in the minds of the defendant and the opportunity for misunderstanding on the part of the public which will lead to a lack of confidence in the bar. *W. E. Bassett Company* v. *H. C. Cook Company,* 302 F. 2d 269, 270 (1962).

In *United States* v. *Standard Oil Company,* 136 F. Supp. 345 (S.D.N.Y. 1955), the court further sought to deal with public distrust of the bar:

> Insofar as these canons relate to the question of preservation of a former client's confidences, they disqualify an attorney who has received confidences which might possibly be relevant to the controversy at hand as they seek to avoid unconscious as well as conscious betrayal. 136 F. Supp. at 353.

The court in *U. S.* v. *Standard Oil,* supra, further held that the complainant need only show *access* to relevant material for the inference to be held that the attorney received the confidences. 136 F. Supp. at 354. That court noted that there may be instances where no substantial proof of related issues may be found. Even so, they found:

> . . . that where there is a close question as to whether particular confidences of the former client will be pertinent to the instant case, an attorney should be disqualified to avoid the appearance if not the actuality of evil. 136 F. Supp. at 364

The court therefore refused to disqualify the attorney because there was no proof that he had (1) had access to documents substantially related to the instant case, (2) had ever had access to relevant materials, (3) had investigated or passed upon or rendered legal advice on the material, or (4) that his "present position creates an appearance of evil requiring disqualification." 136 F. Supp. at 366.

This type of broad discretionary disqualification standard was applied in *Laskey Bros. of W. Va.* v. *Warner Bros. Pictures,* 224 F. 2d at 824 (2 Cir. 1955), where it was held that the one-all disqualification rule for partners might apply when the partnership is terminated. There the court held that all partners are disqualified if one is because:

> Within the framework of the original partnership the fact of access to confidential information through the person of the partner with such specialized knowledge is sufficient to bar the other partners, whether or not they actually profit from such access. Such a result, although an extension of the literal wording of Canons 6 and 37 of the Canons of Professional Ethics of the American Bar Association, is necessary to facilitate maximum disclosure of relevant facts on the part of the clients. 224 F. 2d at 827.

The court held that if the partnership dissolves, there arises a rebuttable presumption that the one partner may not have received confidences from his old partner. 224 F. 2d at 827. However, in a strong dissent, Judge Ryan stated that a partner occupies:

> . . . a position of great moral trust and confidence. From his confidential position there attached to him an obligation which was voluntarily assumed

> by all who later joined with him in the practice of the law. 224 F. 2d at 832.

Judge Ryan also noted that it should not be up to the client to prove disclosures which were made but only that "a relationship of trust and confidence existed between them and the member of the Bar whom they seek to disqualify." 224 F. 2d at 833.

Finally, in *Empire Linotype School* v. *United States,* 143 F. Supp. 627 (S.D.N.Y. 1956), where the plaintiff argued that the defendant had not demonstrated that any confidential matter was disclosed to him in connection with the litigation in chief, the court said "the fallacy in that argument is that no such showing is necessary." All the defendant had to show was that the plaintiff had access to relevant materials. 143 F. Supp. at 632 The court noted that the Canons prescribe:

> a high moral standard, akin to that applicable to a fiduciary. It is the Court's duty so to interpret that standard as to promote confidence in government and respect for the bar. Without firm judicial support, the Canons of Ethics would be only reverberating generalities. 143 F. Supp. at 633

From the foregoing one can see that the second circuit courts give less consideration to the *facts* of disclosure or related issues than they do to the *moral overtones* of the situation presented before them. Because they hold that the public confidence in the bar must be maintained they will sustain motions to disqualify an attorney for conflict of interest if the plaintiff can show either that the attorney had access to materials which *might be* relevant to subsequent litigation or

that by the very situation itself, an appearance of evil surrounds the attorney-client relationship.

Even broader interpretations of the standards set forth in the Canons are found in other circuits. In the eight circuit, a district court disqualified a law firm from accepting the retainer of an adverse client because "there was access to confidential information and because even though small in amount, fees were paid to that firm." *Humble Oil & Refining Company* v. *American Oil Company,* 224 F. Supp. 909 (E.D. Mo. 1963). It is interesting to note that the court therein also held in a situation very applicable to the instant case that the attorneys would be disqualified because of an extant injunction. If they accepted the new client, (as in the instant case), they would be forced to reverse the position they previously held on the injunction when they were employed as attorneys for the other client. 224 F. Supp. at 913.

The ninth circuit has held that an attorney may not represent a party in one transaction against a second party and then turn around and represent the second party against the first party in an action arising out of or closely related to the first representation. *Cord* v. *Smith,* 338 F. 2d 516 (9 Cir. 1964). This is not because the attorney "would or might be using or misusing confidential information derived from former client." 338 F. 2d at 524. It is rather because of the high fiduciary duty owed by attorneys to clients, The Court said, quoting a prior opinion of Judge Cardozo, that:

> 'Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee

> is held to something stricter than the morals of the market place.
>
> Not honesty alone, but the *punctilio of an honor the most sensitive, is then the standard of behavior.* As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty by the 'disintegrating erosion' of particular exceptions. . . . Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd.' 338 F. 2d at 525. (emphasis added)

In a very recent case, the ninth circuit Court of Appeals has extended its interpretation to include that if it can be shown that an attorney was in a position to "acquire knowledge casting light on the purpose of later acts and agreements", he may be disqualified. *Chugach Elec. Ass'n.* v. *United States District Court for the District of Alaska,* 370 F. 2d 442, 443 (9 Cir. 1967). In that case an attorney who had served as counsel for a corporation resigned and later accepted employment to file suit on behalf of the trustee in bankruptcy of another company charging his former employer with violations of federal antitrust laws in efforts to retain a monopoly position. The court found no evidence that the attorney had, in his prior employment, "received or had access to secret or confidential information related to the issues in the present case." 370 F. 2d at 443. But the court decided that disqualification was required and reversed the lower court's decision because:

> In our view the District Court's findings and conclusions do not reach the heart of the problem. In their prohibition of conspiracies the antitrust

> laws are concerned not only with what was done but with why it was done. The problem . . . includes the question whether, as attorney, he was in a position to acquire knowledge casting light on the purpose of later acts and agreements. 370 F. 2d at 443.

The court noted that the attorney's prior experience would give him "greater insight and significant understanding of the significance of subsequent events . . . and offer a promising source of discovery." 370 F. 2d at 443. The court also emphasized that it was not necessary to prove secret and confidential information was available to the attorney. Rather, the court emphasized the duty to uphold public interest:

> Where conflict of interest or abuse of professional confidence is asserted, the right of an attorney freely to practice his profession must, in the public interest give way in cases of doubt. 370 F. 2d at 444.

Although the second, eighth and ninth circuits have stated their decisions in differing language they are, in fact, stating the same general principle that the Canons of Ethics are meant to guide lawyers in responsibly fulfilling their high duty to the public. Whether it is said that there is an appearance of evil, or that a high fiduciary standard is not maintained, or there is doubt about whether there is a conflict of interest situation, what they are saying is that lawyers and courts must, at all expense to lawyers' freedom to pursue the most desirable clients, maintain public confidence in the bar if the attorney-client relationship is to have meaning for both attorneys and clients. This is the basic premise of cases in the second, eighth and ninth circuits. It is obvious that they are in total

disagreement with the fifth circuit's requirement of specific proof of either substantial relationship between the issues in the cases or proof of specific confidences disclosed which would be relevant to the new case.

Such conflict has led to great confusion. At the federal level, steps have been taken to arrest the confusion with the enactment of the Federal Conflict of Interest Act, 76 Stat. 1119 (1962), 18 U.S.C. §§ 201-18 (Supp. IV, 1963) which provides that an ex-government attorney is disqualified *for life* upon litigating on matters adverse to the government in which he has been "personally and substantially" involved while in government service.

But what of attorneys without such specific statutory guidance? The varying interpretations made by attorneys themselves has been described in a note in the Yale Law Journal, Unchanging Rules in Changing Times: The Canons of Ethics and Intra-Firm Conflicts of Interest, 73 Yale L.J. 1058, (1964), this note points out and even supports practices which allow a law firm to have two partners handling interests of adverse litigants. 73 Yale L.J. 1058, 1074 (1964). Obviously, some final guidance is needed to define just how far the prohibitions of Canons 6 and 37 do extend. To allow the present conflict to exist between the rigid requirements of proof of specific knowledge of confidential information as set forth by the fifth circuit in the instant case and the more equitable requirements of varying tests of "access to information," "standards of a fiduciary" and the "position to acquire information" as utilized by the second, eighth and ninth circuits, is to open up a whole area of questionable ethical practice.

II. Smathers & Thompson Should Have Been Disqualified Even Under the Rigid Standard of the Fifth Circuit

It is apparent from a reading of all of the pertinent cases cited supra that the origin of the test of disqualification is whether there is a substantial relationship between the differing litigation and whether there is prior disclosure of any confidences to the attorney sought to be disqualified. Considering these, not in light of the overwhelming body of law in many circuits that the test is a matter of inferences drawn from access to information or appearances of evil, but even taking the narrow interpretation of the lower courts herein, Smathers & Thompson should be disqualified.

The district court herein noted that if it could be shown that confidences bearing on the instant case had passed from client (petitioners herein) to attorney (R. 103) or that the issues in the suit were "almost identical to the first representation" (R. 102), a law firm could be disqualified under Canons 6 and 37. Finding that petitioner Pearl was unable to be specific as to what exact trade secrets he had communicated to his attorney and that the same matters were not involved since plaintiff did not resort to enforcing the running injunction, the Court refused to grant the motion. (R. 103, 104, 106). Indeed the district judge considered a narrower standard than any of the appellate decisions setting up an apparent standard of proof of bad faith. (R. 140, 141)

The Court of Appeals herein also applied a strict standard of proof of substantial relationship and disclosure of confidences. That Court affirmed the judgment of the lower court, stating that the previous representation of Uniweld by the firm of Smathers &

Thompson had, "to all practical purposes, completely terminated", that defendants failed to show similarity between the suits, and that defendants failed to prove that the law firm obtained any knowledge or information which could be used to the disadvantage of defendants in the present litigation (R. 233-234) (App. 10a).

Petitioner contends, however, that even under a strict application of these standards, Smathers & Thompson should be disqualified. There was a substantial relationship in the matters in that the first litigation was still extant and Smathers & Thompson continued to represent petitioner in that litigation. A "substantial relationship" is not a question of identical facts or law, but some relationship in the two matters which causes a conflict. *T. C. Theatre Corp.* v. *Warner Bros. Pictures,* 113 F. Supp. 265 (S.D.N.Y. 1953) Nothing could be a greater conflict than representing both adversaries at the same time in two separate matters.

The consent order of March 24, 1960, in the first matter, was a continuing injunction which specifically stayed in effect until 1973. (R. 103) The district court therein specifically retained jurisdiction in that matter to enforce said injunction if necessary. (R. 247) The injunction was patently a pending matter in which there was a continuing representation by Smathers & Thompson.

This is clearly evidenced by their further actions some three years after the consent order was signed. On September 18, 1963, Bonsteel was notified that the clerk of court retained certain exhibits in the original matter. He at that time entered a stipulation with Union Carbide's counsel therein requesting the re-

moval of said exhibits from the court. Bonsteel signed that stipulation "Smathers & Thompson, by L. S. Bonsteel, Attorneys for Defendants." (R. 324) The subsequent court order entered on September 25, 1963, similarly established this continuing representation in ordering that the exhibits be delivered to "Smathers & Thompson, as attorneys for the defendants." (R. 325) Smathers & Thompson then retained these exhibits for almost a year while still acting as attorneys for petitioners.

The above actions of Smathers & Thompson are dispositive of a continuing representation in an extant injunction. This Court has held that this court has inherent power to control its injunctive decrees where changing circumstances warrant." *United States* v. *Swift & Co.*, 286 U.S. 106, 52 S. Ct. 460, 76 L.Ed. 999. The above was cited in another attorney disqualification case of *Humble Oil & Refining Company* v. *American Oil Company,* 224 F. Supp. 909, 910 (E.D. Mo. 1963). The *Humble Oil* case also began with an original action which resulted in an extant injunction.

Petitioners contend that the lower courts herein erred in their view that the original matter and hence representations had ended. The fifth circuit held, "It is perfectly plain that the previous representations had, to all practical purposes, completely terminated, as was found by the trial court." (App. 10a) But that is not the case, and, indeed, the firm of Smathers & Thompson had an important function to perform in relation to the 1959 patent infringement suit between Union Carbide Corporation and Universal Cutting and Welding Corporation (petitioner herein). As was recognized in the case of *Leman* v. *Krentler-Arnold Company,* 284 U.S. 448, at pages 454, 455, 52 S. Ct.

238, at 240, 76 L.Ed. 389, the attorneys of record in a continuing suit in federal court under Rule 5(b), F. R. Civ. Pro., may receive service of any pleading subsequent to the original complaint. In that case, a proceeding for civil contempt for violation of the injunction was treated as part of the main cause and service of process for the purpose of bringing the respondent within the jurisdiction of the court was not necessary. This continuing jurisdiction and accessibility to notice performs a very real and vital function in an injunctive decree such as resulted from the 1959 patent litigation herein. The respondent in *Leman* was already subject to the jurisdiction of the court for the purposes of all the proceedings that were a part of the equity suit and could not escape the injunction by absenting itself from the district. In *Milwaukee and Minnesota R. Company* v. [*Milwaukee &*] *St. Paul* [*R*] *Company,* 2 Wal. 609, 633, 17 L.Ed. 886, this court said that it had decided:

> . . . many times that when a bill is filed in the federal court to enjoin a judgment of that court, it was 'not to be considered as an original bill, but as a continuation of the proceeding at law; so much so, that the court will proceed in the injunction suit without actual service of subpoena on the defendant and though he be a citizen of another state as if he were a party to the judgment at law. . . . For similar reasons, after a final decree a party cannot defeat the jurisdiction of the appellant tribunal by removing from the jurisdiction as the proceedings on the appeal are part of the cause . . .'

In a bankruptcy case, *In Re Realty Associates Securities Corporation,* 39 F. Supp. 806, (E.D. N.Y. 1941), the court held that service of an order to show cause

why respondent should not be held in contempt made upon the attorney of record of the respondents gave the court jurisdiction for the relief demanded in the petition. Indeed, service of a pleading containing a counter-claim may be made upon the opponent's attorney and presumably also a petition for modification of an injunction. Cf. *Nortex Trading Corp.* v. *New Field,* 311 F. 2d 163, (2nd Cir. 1962), *City of Philadelphia* v. *Morton Salt Company,* 248 F. Supp. 506 (DCPA 1965).

The rules as to when an attorney's obligation to his client ceases should be governed by the Federal Rules of Civil Procedure. In the case of *Rumsey* v. *George E. Failing Company,* 333 F. 2d 960, (10 Cir. 1964) the court held that service of garnishment papers on defendant's attorney of record, was valid service. The court held that Rule 5(b), of the Federal Rules of Civil Procedure control and not the State rules.

In the case of *United States* v. *Curry,* 6 How. 106, 12 L.Ed. 363, the court held that service of citation upon the attorney after judgment was valid.

> No attorney or solicitor can withdraw his name, after he has once entered it on the record, without leave of the court and while his name continues here the adverse party has a right to treat him as the authorized attorney or solicitor, and the service of notice upon him is valid as if served on the party himself and we presume that no court would permit an attorney who had appeared at the trial, with the sanction of the party, expressed or implied, to withdraw his name after the case was finally decided. For if that could be done, it would be impossible to serve the citation where the party resided in a distant country or his place of residence was unknown and would in every

> case occasion unnecessary expense and difficulty, unless he lived at the place where the court was held. And, so far from permitting an attorney to embarrass or impede the administration of justice after trial and final decree we think the court should regard any attempt to do so as open to just rebuke. 6 How. at 111.

From this brief excerpt it may be seen: First, that withdrawal of an attorney without leave of the court may be jurisdictional and this reasoning may be abundantly important where short term decree of injunction is still existent; Secondly, that any "attempt to do so is open to just rebuke." A similar approach and similar procedure is followed in the courts of the states of New York and California. See e.g., *Ohlquist* v. *Nordstrom,* 143 Misc. 502, 257 NYS 711, and *Forslund* v. *Forslund,* 37 Cal. Reptr. 489, See also Freeman, Judgments, 5th Ed. § 353.

Smathers & Thompson's present representation of respondent is not only tainted by the representation of petitioners in the extant injunction but is in clear violation of even a strict interpretation of the "confidential disclosure" standard.

There is no question that during the course of representation of petitioners by Smathers & Thompson in the prior matter, that this law firm had many discussions with petitioners concerning the personal affairs, attitudes and intentions of the individual defendants (petitioners herein) and concerning the business and economic structure of the corporate defendant therein. (R. 469) This information was instrumental in Smathers & Thompson recommending settlement of the prior matter with Union Carbide. (R. 191)

Similarly in 1968 in another matter where Smathers & Thompson represented petitioners herein against a small corporation unrelated to the instant litigations, Bonsteel again utilized this information in recommending a settlement. (R. 468) It is patently clear that in infringement and unfair competition litigation as that in which the petitioners and respondent are now embroiled, that confidential knowledge of the "personal affairs, attitudes and intentions" of individual defendants and intimate details of the "business and economic structure" of a corporate defendant would be a prime advantage to the lawyers for an adversary. This is especially so where the plaintiff is a corporate giant as the respondent herein. Indeed, in the classic opinion of Judge Weinfeld in the *T. C. Theatre Corp.* case, supra, he considered just such confidential knowledge in disqualifying an attorney. 113 F. Supp. at 271.

This court should realize the net effect of this unholy alliance between petitioners' adversary and petitioners' former counsel. Not only has Union Carbide now gained access to confidential information as to petitioners', comprising individuals and a small corporation, ability to litigate but has also denied to petitioners the representation of their former counsel in any further proceedings on the original injunction. (R. 328, 335). This Court should also not be unmindful of the facts that not only have Bonsteel and Yancey indicated that they would not have taken or continued with the representation of Union Carbide, (R. 62, 73, 208-210) but that they probably would have withdrawn had other counsel for respondent, Union Carbide, not induced them not to do so. (R. 74). Additionally, it should also be considered that Judge Dyer, faced with

the same conflict, gave Smathers & Thompson a reasonable opportunity to withdraw themselves and promptly rescued himself.

III. Smathers & Thompson Should Be Disqualified Under the More Equitable Standard of the Other Circuits

Petitioner further contends that not only does a strict interpretation of the tests of "substantial relationships" of the matters and "disclosed confidences" as applied in the Fifth Circuit require the disqualification of Smathers & Thompson but the more equitable and modern application of the standards in the second, eighth and ninth circuits make it imperative.

The prime consideration in this area is the "considerations of public policy." *T. C. Theatre Corp.* v. *Warner Bros.*, supra. In this regard, the United States Court of Appeals for the Second Circuit stated in the *Consolidated Theatres* case, supra, that:

> . . . we are not unmindful of the drastic effect of the Canon on a lawyer. . . . It comes close to preclude him as serving as a plaintiff's attorney in the lucrative anti-trust motion-picture field in which he has specialized during most of his professional life. However, it will not do to overemphasize the hardship which, after all, is an inevitable incident to his own choice of profession and choice of employment. But that aside, the specialized field is but a fragment of the overall field still open to him in which much of his general accumulated experience can find useful outlet.
>
> But whatever the dimensions of the incidental hardship, the American Bar Association, as also the courts throughout the country which have incorporated the Canons into their rules of court, were primarily concerned for the public good

which was deemed to require assurance, as specific as possible, of the confidence inherent in the client-attorney relationship. 216 F. 2d at 926

The second circuit has additionally held that disqualification is necessary where it will lead to "suspicion and distrust in the minds of the defendant and the opportunity for misunderstanding on the part of the public which will lead to a lack of confidence in the bar." *W. E. Basset, Corp.* v. *H. C. Cook Co.,* supra at 270.

Those weighty concerns of the courts have led to a standard that disqualification is necessary where there is even a possible "appearance of evil." Cf. *United States* v. *Standard Oil.,* supra at 366; *United States* v. *Trafficanti,* supra at 120.

In order to effect these noble purposes and maintain the integrity of the bar, the majority of the circuits have abandoned the old rigid test of a definite showing of a "confidential disclosure" or "substantial relationship" between matters. Thus, in the *Consolidated Theatres Case,* supra, and the *Humble Oil* case, supra, the second and eighth circuits respectively have adopted a test that mere access in the attorney-client relationship by an attorney to confidential information or information prejudicial to a former client's case will satisfy the requirements to disqualify that attorney. In fact, the ninth circuit in its recent well reasoned opinion in *Chugach Electric Association* v. *United States District Court,* supra, has broadened this test to include "the question whether, as attorney, he was in a *position* to acquire knowledge. . . ." 370 F. 2d at 443. (emphasis added)

There is no question that the law firm of Smathers & Thompson having represented petitioners in more

than one infringement—unfair competition type action over a period of several years "was in a position to acquire knowledge" and had "access to confidential information." To infer otherwise would be to assume that Smathers & Thompson were derelict in their original representation of petitioners.

As petitioners have pointed out above, the confidences herein need not be specific knowledge of technical equipment. Knowledge of petitioners' abilities to litigate can be far more crucial in the strategy of litigation. Smathers & Thompson were for several years privy to such information. They obviously used such information in recommending disposition of both the prior litigation with Union Carbide and the 1963 Harris matter.

In response to the reasonable request of petitioners that Smathers & Thompson disqualify themselves and in response to this litigation Smathers & Thompson have consistently presented the defense of lack of communication between the partners, Bonsteel and Yancey. This coupled with their protestations of good faith has been their sole defense. This is amply demonstrated in the affidavits of Diana Pool Tunell (R. 67), Hervey Yancey (R. 71), William H. Benson (R. 82) and L. S. Bonsteel (R. 85) and the testimony given in court by both Bonsteel and Yancey (R. 204-234). The record is replete with numerous descriptions of the filing and index systems in the office of Smathers & Thompson. However, nothing could be less pertinent to the case at bar. The law is absolutely clear that all partners in a firm are charged with knowledge of each others actions and clients. It is equally clear and beyond any question that where one partner is even vicariously disqualified then all the partners of the firm are similarly

disqualified. *Laskey Bros. of W. Va.* v. *Warner Bros. Pictures,* supra; *W. E. Basset Company* v. *H. C. Cook Company,* supra. Smathers & Thompson cannot be allowed to hide behind inefficiency in their own office procedures to escape the high moral standards of representation necessary to the orderly administration of law.

It is not a question of an intentional effort by Smathers & Thompson to betray their former clients except insofar as they have refused to withdraw from this matter. It is definitely, however, an issue as to whether Union Carbide by virtue of their position and wealth can now interfere with the attorney-client relationship in which petitioners have heavily invested with Smathers & Thompson and upon which petitioners had a right to rely. Attorneys are not in the business of selling legal advice under the theory of caveat emptor, let the buyers beware. Rather, the principles enunciated in the *Cord* case, supra, of a continuing trust and fiduciary relationship between the client and attorney must prevail. It is important not only to the petitioners but to the bar that the Court therefore reverse the decision below.

CONCLUSION

The ethical questions of disqualification of an attorney are most prevalent in the area of unfair competition and antitrust litigation because of the direct policy making rule of lawyers in those areas. Given the recent rapid expansion of the area of such litigation and the change in bar practice to larger law firms, the rigid traditional tests on disqualification no longer meet the needs of society. A more flexible but uniform approach is needed to maintain the integrity of the

bar. This is particularly poignant in litigation as herein where a small corporation faces a litigious corporate Goliath. It would be unjust to not disqualify Smathers & Thompson in view of their prior privity to the confidences of the petitioners. It would be far more unjust to allow Union Carbide, by means of their purchasing power, to purchase petitioners' prior counsel and all the advantages and ill-begotten confidences inherent in such purchase as if that counsel were a chattel. The attorney-client relationship is one vested with confidences and trust which has a strong aspect of a continuing nature. Once established, it should not be allowed to be bought and sold in the market place by the highest bidder.

For these and all the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

PHILIP J. HIRSCHKOP, ESQ.

COHEN, HIRSCHKOP & HALL, ESQS.
110 No. Royal Street
Alexandria, Virginia
Counsel for Petitioners

HYMAN F. GLASS
901 No. Washington Street
Alexandria, Virginia
Of Counsel